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## Appropriations Committee

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### SB 5094

**Brief Description:** Providing optional service credit for substitute service to members of the school employees' retirement system.

**Sponsors:** Senators Carlson, Jacobsen, Spanel, Fraser, B. Sheldon and Rasmussen; by request of Joint Committee on Pension Policy.

#### Brief Summary of Bill

- Permits substitute classified school district employees who are either School Employees' Retirement System members, or who have worked five or more months of at least 70 hours, to apply to the Department of Retirement Systems to purchase retirement service credit at the end of each school year.

**Hearing Date:** 3/20/03

**Staff:** David Pringle (786-7310).

#### Background:

The School Employees' Retirement System Plans 2 and 3 (SERS) provide retirement benefits to eligible classified employees of the common school system who first entered state retirement system-eligible employment after 1977. Members and employers of SERS each contribute a percentage of pay earned by the member to fund the member's retirement benefits. The contributions and benefits of SERS are administered by the Department of Retirement Systems (DRS).

When a SERS employer hires an individual, the employer determines whether the position is eligible for retirement system membership. If an employee is in a position that normally requires more than five months of 70 hours or more, the employee is eligible for membership. Employers have the responsibility of reporting these determinations to DRS and for reviewing them as circumstances change. If an employer mistakenly classifies an employee as ineligible and the employee is in fact eligible, the employer and employee are required to make contributions retroactively from the date when the position became eligible.

The term "substitute" may be used by a school district to refer to a variety of irregular employees, including those working in the place of absent employees, those working

temporarily in unfilled positions, or those working temporarily for other reasons.

Substitute classified employees may not be employed with an expectation of particular amounts of employment, but must be tracked by employers to determine if they work more than five months of 70 hours or more in consecutive years. If a substitute employee exceeds this amount of substitute service, the employee is eligible for SERS membership and retroactive employee and employer contributions may be required.

Conversely, substitute teachers are excluded from membership in the Teachers' Retirement System Plans 2 and 3 (TRS) except for purposes of the purchase of service credit after the end the school year. To be eligible to purchase service credit, a substitute teacher must have either previously established membership in TRS, or work as a substitute teacher for at least five months of 70 hours or more in a school year.

**Summary of Bill:**

Substitute classified school system employees are made members of SERS only for purposes of purchasing service credit after the end of a school year in which substitute service is performed. Substitute classified common school system employees are defined as those working exclusively as substitutes for absent employees. Upon the return or termination of the absent employee a substitute is replacing, the substitute employee is no longer exempted from regular SERS membership rules.

A substitute common school system classified employee who has established membership in SERS or who works for five months of 70 hours or more during a school year may elect to purchase that service credit at the end of the school year.

An individual who wishes to purchase service must apply to the department and provide required information about his or her substitute service. Upon completing the application, DRS will bill the substitute employee for the required contribution to SERS. Following payment by the employee their employer must pay the required employer contributions. DRS must charge an employee for interest lost on employee and employer contributions if employee contributions are submitted more than six months after the end of the school year for which the substitute employee is seeking service credit.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.